

ORIGINAL

DIVISION OF CONSUMER ADVOCACY
Department of Commerce and
Consumer Affairs
335 Merchant Street, Room 326
Honolulu, Hawaii 96813
Telephone: (808) 586-2800

FILED
2009 FEB 10 P 3:15
PUBLIC UTILITIES
COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF HAWAII

In the Matter of)	
)	
PUBLIC UTILITIES COMMISSION)	DOCKET NO. 2008-0274
)	
Instituting a Proceeding To Investigate)	
Implementing a Decoupling Mechanism for)	
Hawaiian Electric Company, Inc., Hawaii)	
Electric Light Company, Inc., and Maui)	
Electric Company, Limited.)	

DIVISION OF CONSUMER ADVOCACY'S **COMMENTS ON THE NATIONAL REGULATORY RESEARCH INSTITUTE PAPER**

By its letter dated January 21, 2009, the Commission directed the parties to Docket No. 2008-0274 to submit "any written comments on the NRRI paper" within twenty days of the date of the letter. This document is responsive to the Commission's request for comments.

The Consumer Advocate has previously submitted a series of proposals for consideration by the parties regarding decoupling and the related rate adjustment mechanism ("RAM") in this Docket.¹ This prior filing was made pursuant to the Order Approving, With Modifications, Stipulated Procedural Order filed on December 26, 2008

¹ See Consumer Advocate's HECO/HELCO/MECO Rate Adjustment Mechanism ("RAM") Conceptual Framework Proposal, filed on January 30, 2009.

("Procedural Order"). Given the Consumer Advocate's recent filing of its preliminary positions regarding decoupling, the additional "comments" offered at this time regarding the NRRI paper are less substantive than might have otherwise been offered. The Consumer Advocate intends to fully participate with HECO in the Technical Workshop scheduled for February 27, 2009 as well as the additional procedural steps set forth in the Procedural Order to work collaboratively with the parties toward resolution of the important detailed issues surrounding the decoupling and RAM procedures. Upon completion of this process, the Consumer Advocate anticipates that a joint recommendation with the HECO Companies and other parties will be submitted for consideration and approval by the Commission.

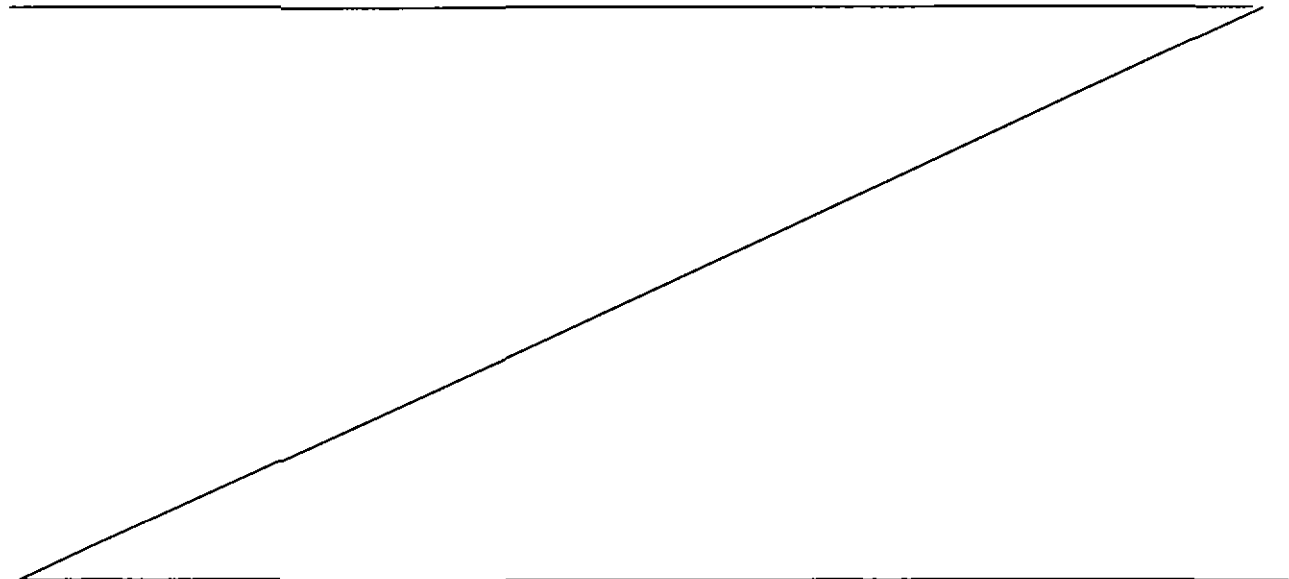
The NRRI paper offers a general conceptual discussion focused primarily on decoupling, with no discussion of important rate adjustment mechanism ("RAM") issues. The paper describes four basic approaches to decoupling as well as various "implementation decisions" that might be considered by the parties and the Commission.² The Consumer Advocate understands, however, that many of the "approach" and "implementation" decisions for decoupling in Hawaii have already been committed to by parties to the Hawaii Clean Energy Initiative Agreement ("HCEI Agreement" or "Agreement") that is excerpted in Appendix 1 to the NRRI paper. For example, the HCEI Agreement specifies at paragraph 28(1) that "The revenues of the utility will be fully decoupled from sales/revenues..." using "a revenue adjustment mechanism based on cost tracking indices....and not based on customer count", with further discussion of structural parameters. Thus, at this time, these HCEI Agreement

² NRRI, "Decoupling" Utility Profits from Sales: Design Issues and Options for the Hawaii Public Utilities Commission, David Magnus Boonin, January 2009, pages 10-28.

provisions appear to generally preclude the signatory parties from considering three of four the alternative NRRI "approaches" to decoupling that are described starting at page 10 of the paper:

- A. Lost Earnings Tracker
- C. Sales-per-customer adjustment
- D. Straight fixed-variable rate design

Instead, the alternative "B. Total sales adjustment" approach, as described at page 11 of the NRRI paper, is the consensus approach of the HCEI Agreement parties. Because of the prescriptive treatment of decoupling in the Agreement, the Consumer Advocate respectfully submits that most of the basic decoupling design and implementation decisions discussed in the NRRI paper have, at least for the parties to the Agreement, already been made. The obligations of the parties within the HCEI Agreement clearly do not preclude the Commission from considering alternative decoupling approaches as set forth in the NRRI paper.



The Commission's letter also directs the parties to respond to the list of questions in Appendix 2 of the NRRI paper. Through its responses to these questions, which will be submitted subsequent to these comments, the Consumer Advocate will endeavor to address the broader decoupling approach and implementation issues raised in the NRRI report irrespective of any constraints imposed upon the Consumer Advocate by the HCEI Agreement.

DATED: Honolulu, Hawaii, February 10, 2009.

Respectfully submitted,

By Catherine P. Awakuni
CATHERINE P. AWAKUNI
Executive Director

DIVISION OF CONSUMER ADVOCACY

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing **DIVISION OF CONSUMER ADVOCACY'S COMMENTS ON THE NATIONAL REGULATORY RESEARCH INSTITUTE PAPER** was duly served upon the following parties, by personal service, hand delivery, and/or U.S. mail, postage prepaid, and properly addressed pursuant to HAR § 6-61-21(d).

DEAN MATSUURA
MANAGER
REGULATORY AFFAIRS
HAWAIIAN ELECTRIC COMPANY, INC.
HAWAII ELECTRIC LIGHT COMPANY, INC.
MAUI ELECTRIC COMPANY, LIMITED
P.O. Box 2750
Honolulu, HI 96840-0001

1 copy
by hand delivery

JAY IGNACIO
PRESIDENT
HAWAII ELECTRIC LIGHT COMPANY, INC.
P. O. Box 1027
Hilo, HI 96721-1027

1 copy
by U.S. Mail

EDWARD L. REINHARDT
PRESIDENT
MAUI ELECTRIC COMPANY, LTD.
P. O. Box 398
Kahului, HI 96733-6898

1 copy
by U.S. Mail

THOMAS W. WILLIAMS, JR., ESQ.
PETER Y. KIKUTA, ESQ.
DAMON SCHMIDT, ESQ.
GOODSILL, ANDERSON QUINN & STIFEL
Alii Place, Suite 1800
1099 Alakea Street
Honolulu, Hawaii 96813

1 copy
by hand delivery

Attorneys for Hawaiian Electric Company, Inc., Hawaii Electric Light Company, Inc., and Maui Electric Company, Limited

RANDALL J. HEE, P.E.
PRESIDENT AND CEO
KAUAI ISLAND UTILITY COOPERATIVE
4463 Pahe'e Street, Suite 1
Lihue, HI 96766-2000

1 copy
by U.S. mail

TIMOTHY BLUME
MICHAEL YAMANE
KAUAI ISLAND UTILITY COOPERATIVE
4463 Pahe'e Street, Suite 1
Lihue, HI 96766-2000

1 copy
by U.S. mail

KENT D. MORIHARA, ESQ.
KRIS N. NAKAGAWA, ESQ.
RHONDA L. CHING, ESQ.
MORIHARA LAU & FONG LLP
841 Bishop Street, Suite 400
Honolulu, Hawaii 96813

1 copy
by hand delivery

Attorneys for Kauai Island Utility Cooperative

HENRY Q CURTIS
VICE PRESIDENT FOR CONSUMER ISSUES
KAT BRADY
VICE PRESIDENT FOR SOCIAL JUSTICE
LIFE OF THE LAND
76 North King Street, Suite 203
Honolulu, Hawaii 96817

1 copy
by U.S. mail

WARREN S. BOLLMEIER II
PRESIDENT
HAWAII RENEWABLE ENERGY ALLIANCE
46-040 Konane Place 3816
Kaneohe, Hawaii 96744

1 copy
by U.S. mail

CARL FREEDMAN
HAIKU DESIGN & ANALYSIS
4234 Hana Highway
Haiku, Hawaii 96708

1 copy
by U.S. Mail

GERALD A. SUMIDA, ESQ.
TIM LUI-KWAN, ESQ.
NATHAN C. SMITH, ESQ.
CARLSMITH BALL LLP
ASB Tower, Suite 2200
1001 Bishop Street
Honolulu, Hawaii 96813

1 copy
by hand delivery

Attorneys for Hawaii Holdings, LLC, dba First Wind Hawaii

MIKE GRESHAM
HAWAII HOLDINGS, LLC dba FIRST WIND HAWAII
33 Lono Avenue, Suite 380
Kahului, Hawaii 96732

1 copy
by U.S. mail

DEBORAH DAY EMERSON, ESQ.
GREGG J. KINKLEY, ESQ.
DEPUTY ATTORNEY GENERAL
DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII
425 Queen Street
Honolulu, Hawaii 96813

1 copy
by hand delivery

Attorneys for the Department of Business, Economic Development, and Tourism

MARK DUDA
PRESIDENT
HAWAII SOLAR ENERGY ASSOCIATION
P.O. Box 37070
Honolulu, Hawaii 96837

1 copy
by U.S. Mail

DOUGLAS A. CODIGA, ESQ.
SCHLACK ITO LOCKWOOD PIPER & ELKIND
TOPA FINANCIAL CENTER
745 Fort Street, Suite 1500
Honolulu, Hawaii 96813

1 copy
by hand delivery

Attorney for Blue Planet Foundation

DATED: Honolulu, Hawaii, February 10, 2009.